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**USTR ANNOUNCES LIST OF EUROPEAN PRODUCTS  
SUBJECT TO INCREASED TARIFFS**

United States Trade Representative Charlene Barshefsky confirmed today that in January 1999 the United States will exercise its right under World Trade Organization (WTO) procedures to increase tariffs on selected European products as a result of a dispute with the European Union (EU) over its discriminatory banana policies. In preparation for exercising U.S. WTO rights, the Office of the U.S. Trade Representative (USTR) has developed a list of European products on which the United States would impose prohibitive 100% duties as early as February 1 pursuant to WTO procedures. Today's announcement identifies those products that the USTR intends to include on the list, to be submitted to the WTO in January, as well as two additional processed agricultural products that may be added to that list following a review of public comments on those two products.

In announcing this action, Ambassador Barshefsky explained, "Over the last six years, two GATT panels, one WTO panel, and the WTO Appellate Body have all ruled against the EU banana policies, and the EU has refused to comply with any of those rulings. We have made repeated attempts to resolve this matter with the EU through negotiations. The European Union, however, has rebuffed all of these attempts. Therefore, the next step is to invoke the WTO procedures that authorize us to take action offsetting the damage caused by the EU's discriminatory banana regime." She added, "At the same time, our door remains open to a negotiated solution consistent with the EU's WTO obligations."

In 1996 the United States joined Ecuador, Guatemala, Honduras and Mexico in resorting to WTO dispute settlement proceedings after the EU had blocked two prior adverse GATT panel rulings against the EU's banana policies. Following the WTO rulings against it in September 1997, the EU refused to consult with the United States or its Latin American co-complainants to reach a mutually acceptable solution. Instead, it modified its regime in a way that perpetuates the discriminatory aspects of the prior regime. Then the EU unilaterally declared itself to be in compliance.

WTO procedures permit the United States on January 21 to seek WTO authorization to increase tariffs in an amount equivalent to the harm caused by the EU regime. These same procedures also require that the WTO grant the U.S. request by January 31, unless the EU requests arbitration to determine whether the amount of the U.S. action is equivalent to the amount of harm caused to the United States by the EU regime. According to WTO rules, such arbitration must be completed by March 2 and then the U.S.

request to increase tariffs must be granted. Consistent with this schedule, Ambassador Barshefsky announced that “the increased tariffs will go into effect on February 1, or no later than March 3 if the European Union requests WTO arbitration to review the amount of the proposed increase in tariffs.”

The proposed increase in tariffs will not affect imports from the Netherlands or Denmark. “The United States is excluding the Netherlands and Denmark in recognition of their voting records against the adoption of the new EU banana regime,” explained Ambassador Barshefsky.

The Office of the U.S. Trade Representative also announced that it will be seeking additional comments on the possible inclusion of certain pork and olive products (HTS 0210.19.00 and HTS 2005.70.60.50) in the list of products to be submitted to the WTO in January. USTR will publish a *Federal Register* notice requesting public comment on these two products, and the deadline for such comments will be January 13.

## **Background**

On May 8, 1996, the WTO Dispute Settlement Body established a panel to examine the EU banana import regime in response to a request filed jointly by the United States, Ecuador, Guatemala, Honduras and Mexico. In May 1997 the panel found that the EU’s banana regime violated WTO rules on sixteen counts. The EU appealed 19 points in the panel report; all parties to the dispute and third parties (including Caribbean banana exporting countries) took part in the appellate proceedings. On September 9, 1997, the Appellate Body issued its report, which rejected almost all of the EU arguments.

The EU measures found to be inconsistent with WTO rules include: (1) the EU’s assignment of import licenses for Latin American bananas to French and British companies (whose previous business had been limited to the distribution of European, Caribbean and African bananas only), which took away a major part of the banana distribution business U.S. companies had developed over this century; (2) the EU’s assignment of import licenses for Latin American bananas to European banana ripening firms (which historically did not import bananas), further taking away business from U.S. companies; (3) the EU’s imposition of more burdensome licensing requirements on banana imports from the Latin American co-complainants than for other countries; and (4) the EU’s discriminatory and trade-distorting allocation of access to its market for bananas, which departed from the fair-share standard of the WTO (focusing on past levels of trade).

The panel and the Appellate Body also affirmed that the EU’s tariff preferences for Latin American bananas, which were provided to Caribbean countries, were consistent with the terms of a special WTO waiver the EU obtained regarding certain trade preferences for its former colonies. The United States did not challenge, and the WTO reports did not address, this zero-tariff preference for traditional Caribbean banana imports pre-dating the 1993 European regime. The panel and Appellate Body reports were adopted on September 25, 1997, and it was subsequently determined through arbitration that the EU would be given a period of roughly 15 months -- *i.e.*, until January 1, 1999, to comply with the WTO rulings.

On July 28, 1998, the EU published changes to its banana regime that will take effect on January 1, 1999. These new regulations perpetuate the discriminatory aspects of the banana regime found by the WTO to violate EU WTO obligations.

## PRODUCT LIST

The imposition of increased duties would apply to articles that are both: (1) classified in the subheadings of the Harmonized Tariff Schedule of the United States (HTS) listed below; and (2) the product of Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, or the United Kingdom. The product descriptions that are provided below are not intended to delimit in any way the scope of the products that would be subject to increased duties.

| HTS Number | Product Description   |
|------------|---|
| 04069057   | Pecorino cheese, from sheep's milk, in original loaves, not suitable for grating  |
| 19053000   | Sweet biscuits; waffles and wafers  |
| 33073050   | Bath preparations, other than bath salts  |
| 34060000   | Candles, tapers and the like  |
| 39202000   | Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene              |
| 42022215   | Handbags, with or without shoulder straps or without handle, with outer surface of sheeting of plastics   |
| 42023210   | Articles of a kind normally carried in the pocket or handbag, with outer surface of reinforced or laminated plastics                                  |
| 48055000   | Uncoated felt paper and paperboard in rolls or sheets   |
| 48192000   | Folding cartons, boxes and cases of noncorrugated paper or paperboard   |
| 49090040   | Printed cards (except postcards) bearing personal greetings, messages or announcements, with or without envelopes or trimmings                        |
| 49119120   | Lithographs on paper or paperboard, not over 0.51 mm in thickness, printed not over 20 years at time of importation                                   |
| 61101010   | Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, wholly of cashmere                                   |
| 63022190   | Bed linen, not knit or crochet, printed, of cotton, not containing any embroidery, lace, braid, edging, trimming, piping or applique work, not napped |
| 85072080   | Lead-acid storage batteries other than of a kind used for starting piston engines or as the primary source of power for electric vehicles             |
| 85167100   | Electrothermic coffee or tea makers, for domestic purposes  |
| 94051080   | Chandeliers and other electric ceiling or wall lighting fittings (other than used for public spaces), not of base metal                               |